

If you are starting a small business in Washington, your job may have just become a little easier. Certain small businesses may be exempt from registering and filing tax returns with the Department of Revenue. Some businesses may not even have to fill out a Master Application.

You do not have to register your business with the Department of Revenue if:

- ◆ The business activity does not require collection of retail sales tax,
- ◆ Gross income of the business is less than \$12,000 a year before expenses,
- ◆ The business owes no other tax or fee to the Department of Revenue, and
- ◆ The business is not required to obtain a license under the state’s Master License Program including renewable licenses.

The following is a detailed explanation of the requirements listed above:

The business activity does not require collection of retail sales tax.

State law defines the activities that are subject to the retail sales tax. Generally speaking, all purchases of items (tangible personal property) by consumers for their own use are

considered retail sales. In addition, a variety of services applied to real or personal property are also taxable, as well as certain other personal services and activities.

◆ *Sale of any item at retail.*

A retail sale is the sale of an item to a consumer, as compared to selling an item to a wholesaler who will resell it to a user. All sales are considered retail sales unless the seller receives a resale certificate from the buyer. The certificate frees the seller from collecting retail sales tax.



For more information on resale certificates, please contact the Department of Revenue at 1-800-647-7706.

◆ *Repairing, installing, altering, decorating, cleaning, constructing, or improving any real or personal property for consumers.*

A variety of services are considered retail sales and subject to retail sales tax. These include the improvement of real property (such as buildings) or personal property (such as equipment and vehicles).

◆ *Certain personal services.*

A business that performs certain personal services is required to collect retail sales tax and register with the Department of Revenue.

The following transactions/services are defined as retail sales and subject to the retail sales tax:

- Personal services such as physical fitness services (including fitness testing, training and aerobic classes) tanning, and tattoo services;
- Landscape maintenance and horticultural services, including lawn mowing, tree and shrub pruning and trimming, spraying, fertilizing, and insect and pest maintenance (excluding farmers);
- Service charges for tickets to professional sporting events;
- Rental of equipment with operators;
- Some coin-operated laundry machines;
- Steam and Turkish baths, including hot tubs;
- Escort and dating services;
- Constructing and improving new or existing buildings and structures;
- Amusement and recreation businesses, including golf, billiards, bowling and similar activities;
- Clearing land and moving earth;

- Towing and parking automobiles;
- Cleaning, fumigating, razing, or moving structures, cleaning and repairing furnaces and septic tanks and snow removal;
- Renting or leasing tangible personal property;
- Charges for lodging and the use of real property for periods less than one month by hotels, motels and similar establishments which provide accommodations;
- Competitive and network telephone services;
- Charges for tangible personal property purchased by service businesses; and
- Charges by abstract, title insurance, escrow and credit bureau businesses, including tenant screening services.

Personal and professional services, such as those provided by health practitioners, all massage services, attorneys, accountants, barbers and beauty salon operators, etc., **are not considered retail sales**. If you have questions regarding retail services, please contact the Department of Revenue at 1-800-647-7706.

Gross income of the business is less than \$12,000 a year before expenses.

If you think your annual gross business income may be close to \$12,000, you

should register. If you feel you don't need to register now, be sure to contact the Department of Revenue if your annual gross receipts do exceed \$12,000 or there is a change in the type of activity your business performs. You may then be required to register with the Department of Revenue and other agencies.

The business owes no other tax or fee to the Department of Revenue.

The Department of Revenue collects a number of taxes in addition to the retail sales and business and occupations taxes. These taxes include the use tax on purchases for use in Washington for which sales tax is not paid, the forest tax on harvested timber, the tobacco tax, the refuse collection tax, and the fish and litter taxes. Businesses owing any of these or other taxes collected by the department are required to register by completing a Master Application. Applications are available from the Secretary of State and the departments of Revenue, Licensing, Employment Security, and Labor and Industries.

The business is required to obtain a license under the state's Master License Program including renewable licenses.

Some businesses require licenses which have to be renewed each year. These include liquor licenses, licenses for lottery retailers, cigarette retailers and wholesalers, and licenses for egg, pesticide, seed and nursery dealers.

Please contact the Department of Licensing at (360) 664-1400 for more information on renewable licenses.

Do you need to register with other state agencies?

When businesses open in Washington, they are often required to register with multiple state agencies. For instance, businesses with employees must register for industrial insurance with the Department of Labor and Industries, and for unemployment insurance with the Employment Security Department. Even if you don't have to register with the Department of Revenue, you may still be required to fill out a Master Application and register with other agencies.

If your business meets all of the above criteria for not registering with the Department of Revenue, you must still fill out a Master Application if your business plans to hire employees or register a trade name.

If you are not sure whether you need to register, don't take a chance. Contact the Department of Revenue for assistance.

To inquire about the availability of this publication in an alternate format for the visually impaired, please call (360) 753-3217. Teletype (TTY) users please call 1-800-451-7985.



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**Washington State
Department of Revenue**

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Post Office Box 1176
Bellingham 98227-1176

Bremerton (360) 478-4961
4841 Auto Center Way
Suite 201
Bremerton 98312-4394

Everett (425) 356-2911
11627 Airport Road
Suite B
Everett 98204-8714

Kennewick (509) 585-1501
22 West Kennewick Avenue
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Kennewick 99336-0616

Olympia (360) 753-3181
Target Place Complex
2735 Harrison Avenue NW
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734 East First Street
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Yakima (509) 575-2783
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Yakima 98902-5713

Telephone Information Center
1-800-647-7706

**Do you need to
register your
business?**



**Washington State
Department of Revenue**